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WORKING-MEN'S INSURANCE IN GERMANY.

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TO THE INTERNATIONAL EXPOSITION AT ST. LOUIS.

THE life of the modern industrial nations is fraught with social problems, one of the most difficult of which is the position of the industrial wage-worker. The only salable thing which the laborer possesses is his work; when he loses his working capacity he has lost everything. Therefore, it is even more necessary that the workman should be insured against the consequence of that loss than that the merchant should insure his goods.

It may be said that the working-man can save, as do other private citizens, and thus insure himself against the vicissitudes of life; but to save only a little from a small income is extremely difficult, and, in fact, experience has shown that only a small part of the laboring population of all countries provides for insurance spontaneously. An organization of workmen, a union, could certainly undertake the insurance of its members, and, indeed, some of the English trade-unions insure their members against sickness and invalidity; but a union is also a fighting organization, and it might easily happen that the amounts paid in by the working-men against the contingency of sickness would be used up during a strike. Moreover, from an ethical point of view, it appears to be unfair that the working-man should bear exclusively the risk involved in the danger of his avocation; the employer, to whom the factory belongs, and the community, which has the greatest interest in the welfare of the working population, should bear part of this burden. It is by no means sufficient that the Government institute a system for the care of the poor; for to depend upon charity demoralizes the workman.

In view of this fact, the Government in Germany has undertaken the task of regulating Working-men's Insurance by pro-

visions of law. The result is that in Germany 10,500,000 working-men and women are insured against sickness, 17,500,000 against accident and 13,500,000 against invalidity.

Labor questions are, really, however, international in their nature; just as no State is able to regulate its commerce and traffic without paying regard to other States, so it is with the labor question. International agreements are in progress for the protection of working-men. The question is whether this course would be likewise practicable in relation to the insurance of working-men. It was this consideration which led the German Imperial Government to institute, at the World's Fair in St. Louis, a comprehensive and thorough representation of the character and the organization of the German Working-men's Insurance.*

The fundamental principles underlying this working-men's insurance are, in short, as follows:

1. Insurance against accidents. Every person engaged in industry or agriculture, as a laborer, is insured against accidents met with in the pursuit of his business, provided that he has not caused such accidents by his own gross carelessness. The insured person, when injured, receives medical treatment free of charge; he will be, if possible, restored to health, and in the meantime he, as well as his family, will be supported. Should recovery be impossible, he will enjoy a pension so long as his working capacity remains impaired,—if necessary, to the end of his life. This pension, without exception, is so fixed that it will afford him two-thirds of the amount he could earn as a healthy person. A special system has been developed, based on experience, to determine to what degree the wage-earning capacity will be affected by the loss of a certain limb: for instance, the right thumb. The organization of this accident insurance is exclusively in the hands of the employers, upon whom alone, likewise, devolves the burden of the institution. It is a liberal principle of German law that whoever gives the occasion for a certain endangerment will also

* In the Building of Education and Social Economy an exposition of books, tables, photographs and statistics has been installed, wherefrom the student of these questions may derive rich material. To make this accessible to larger circles, five pamphlets were written by prominent experts, especially for the World's Fair, conveying a good and, notwithstanding the concise form, a thorough knowledge of the system. These pamphlets will be sent on request, free of charge, from the Office of the German Imperial Commissioner, Mr. Lewald, 4936 Lindell Boulevard, St. Louis, Mo.

be liable for damage resulting therefrom. To lighten the burden of the individual employer, however, self-administering bodies have been created, "*Berufsgenossenschaften*," comprising all employers of a certain branch of industry in a certain district, subject to insurance; for instance, all ironworks of the Rhenish Westphalian Industry District have formed one of these *Berufsgenossenschaften*. These associations fix the amounts required for the settlement of insurance claims, and assess them at the end of the year upon the individual employers.

The amounts raised in this manner by the employers are enormous. In 1902, they paid about \$30,000,000 for the indemnification of 120,000 cases of accident, about \$20,000,000 accident pension, and \$5,000,000 to the survivors of victims of accidents.

2. Insurance against sickness. The insurance against sickness guarantees to the members insured medical treatment at home, or at a hospital, free of charge, the supply of medicine and, moreover, a sick-benefit for the support of the member insured and his family during the time of sickness. In many cases, also, women lying-in receive assistance before and after delivery. Such assistance is given for not more than six months. After that the person concerned will be transferred to the Invalidity Insurance. The insured under this head comprise all industrial laborers, likewise servants; agricultural laborers are taken care of in another manner.

While for Accident Insurance the means are raised exclusively by the employers, here the employee contributes two-thirds, the employer one-third. These contributions are paid in weekly instalments—immediately upon the payment of wages, as a rule. The administration is managed by the Sick Funds (*Krankenkassen*). The working-men of a certain factory, or, as a rule, of a certain place, belong to such a Sick Fund. The greatest local Sick Fund, the one in Leipzig, comprises 124,000 members.

3. Insurance against Invalidity. The third and most difficult institution is the insurance against infirmity arising from old age or invalidity, a specifically German institution.

Every member insured who has become invalid without his own fault, or who has completed his seventieth year, so that he no longer possesses his full working capacity, receives a cash pension proportional to the dues which he has paid, the dues, again, being regulated in proportion to the wages received by the workmen. The wage-worker who has been well paid, therefore, receives a

higher invalidity pension than his brother who earned lower wages, because the latter is used to a cheaper manner of living. Moreover, such pension increases with the number of years the member has paid his dues. This pension is never so high that it can support a person comfortably. Consequently, everybody in a morally sound nation will prefer working to simulating invalidity. What the insurance aims at, and really achieves, is to guarantee the workman a living. Everybody may tranquilly say unto himself: "The community will not allow you to starve when you are sick and old."

To administer this insurance, vast means and a comprehensive organization are required, for 490,000 Invalidity Pensions and 180,000 Old-Age Pensions are paid out annually. The means are raised by weekly contributions of the employers and employees, each paying one-half. The Empire pays an annual additional supplement of \$12 on each pension. The disbursement of the pensions is effected by mail. For the administration, in some districts, special institutions (*Landes-Versicherungs-Anstalten*) have been constituted. In 1902, employers and employees raised \$17,000,000 each, in addition to which the Empire paid a subsidy of \$10,000,000. In 1901, approximately \$100,000,000 was paid to the insured in three branches of insurance; in the decennium of its existence the insurance paid amounted to about \$800,000,000.

Besides the administrative organization, there exists for all branches of workmen's insurance a juridical organization. As the pensions and indemnifications are in no sense pauper assistance, but legal claims that may be collected by procedure at law, the existence of a special course of jurisdiction is a necessity. It would lead too far to discuss these institutions: suffice it to state that, as a rule, three instances exist, whereof the first fixes the amount of the rent, the second examines the same in its actual and legal features, and the third and highest is competent for the final legal decision. This third and highest instance is the German Imperial Insurance Office in Berlin, under President Gaebel, at the same time an administrative body and a court of justice.

The organization of the Workmen's Insurance, as a whole, may be characterized as the exercise of social self-help, organized on the basis of regulations bearing the character of public law. It is not, as often erroneously thought abroad, an insurance by the State, but an insurance by the interested parties themselves, through the medium of vital corporations which are standing be-

tween State and individual, and which are charged with the execution of the insurance.

But as is often the case with brilliant creations, results are hereby secured which originally were not considered at all, but which more than anything else illustrate the great importance of the institutions.

In the first place, accident insurance has led to a thorough improvement of measures for the prevention of accidents, and to the elaboration of careful regulations concerning such precautionary measures. While this may be taken for granted, the working-man has not become more careless, as accident insurance will compensate him only for a part of his wages; the employers have become more provident, and likewise more zealous and conscientious in the application of preventive measures. Not only the individual employer now has an interest in this matter, but also all employers of the *Berufsgenossenschaft* participating in the burden. This *Berufsgenossenschaft*, therefore, supervises the establishments of its members through special officials, and has the right to impose fines for neglect of their rules. Moreover, when many accidents happen in a particular branch of business the *Berufsgenossenschaft* will declare the same to be dangerous, and will levy higher dues for the coming year on members engaged in it. As a result of this insurance, a special highly developed technique for the prevention of accidents has arisen which intends to apply to the machinery contrivances for the protection of the working-men operating such machinery, to improve the ventilation of the factory rooms, to remove all obnoxious gases and, generally, to improve the hygienic conditions. Prizes are awarded for the invention of such constructions, lectures concerning these matters are delivered, numerous technical books and magazines take up this question. So it is a fact that accidents are on the decrease, notwithstanding the growing industrialization of the country.

The insurance against sickness has brought about an essential improvement of the national health. By consulting the physician in time a great number of diseases may be suppressed in the incipient stage, which if neglected would later on prove disastrous. The working-man who heretofore for the sake of economy hesitated to call in a physician, now will consult him at once, since he receives his advice free of charge.

In this manner many cases of grave sickness are avoided. In

conjunction with other sanitary measures, the erection of convalescent homes, the spreading of popular information concerning diseases, this system has effected a considerable reduction of the mortality rate in Germany.

The great accumulation of funds serves for purposes conducing to the public welfare. The amounts disbursed as dividends to the stockholders in private insurance, the reserve funds, and funds that in other insurance are invested in securities, may here be used for sanitariums, working-men's dwellings, public libraries and similar improvements.

The capital of the Workingmen's Insurance amounts to \$300,000,000, an amount never at the disposal of an individual for charitable purposes.

Besides these material advantages, others of a spiritual character are to be appreciated. In the different instances and administrative bodies, the working-man participates in the administration, while otherwise, on account of his insufficient training and lack of means, he would have no opportunity for such matters. So engaged, he learns to appreciate and master the peculiar difficulties inherent in large administrative bodies—certainly a good school for his duties as a citizen.

Finally, we should not under-estimate the enormous enrichment of our knowledge of social and economical processes through this system. In no country have the statistics concerning accident, sickness and wages been perfected to such a degree.

Even the German system of Workmen's Insurance is not without defects. Up to this time, only the survivors of persons killed by accident are indemnified. Now the principal endeavor in this line is to extend such insurance to the wives and children of all working-men in case of the death of the father of the family. It will probably be only a few years until this insurance of widows and orphans is an enforced law. Even then the great problem of insurance against lack of employment remains to be solved. Whether the state could enact such insurance, or this should rather be left to the working-men's organizations, is an open question.

Opposition of various kinds had to be overcome before this organization was effected in Germany. The Radicals, for instance, were afraid that the unions would suffer irreparable injury, should this important function of providing for the working-men be taken away from them. But to the union, in the meantime, is

left the protection of the working-man against lack of employment; and, in fact, these organizations have enjoyed continuous and progressive development in Germany. Another objection was that the economy of the individual would decrease, but never have the deposits in the savings-banks shown such an upward tendency as in the last years. The employers anticipated that, by this encumbrance, they would be handicapped in their competition with foreign countries, but never has German industry enjoyed such prosperity as since the introduction of the insurance. This certainly means a burden for the individual employer, but this encumbrance is counterbalanced, nay, by far outweighed, by the advantages which accrue to the community.

As a recently deceased German author and patriot wrote in his last work, dedicated to the United States of America: "The palm of victory will be secured in the end by the nation possessed of the largest reserve of national health and power."

The German Workmen's Insurance has stood the test of probation in Germany. While the first law was passed by an insignificant majority, the passage of the last was effected by an almost unanimous vote.

Foreign countries are beginning to imitate this system. And now this is one of the most important questions: Could a similar system of insurance be adopted by the United States? One of the greatest German experts, the former president of the German Imperial Insurance Office, Mr. Boediker, stated on June 20th, 1902, at the International Congress for Working-men's Insurance at Düsseldorf, with reference to America:

"I am convinced that, if the idea once gains a footing in America, the Americans will cultivate the soil with the expenditure of money and energy customary with them. We see how the Americans accept European ideas on land and on water at an enhanced rate, and I think if they once begin to work in this province they will do their best to prove that they are not inferior to us in this respect.

"Then the American workmen will also obtain their due share and then the words will be fulfilled which I uttered on another occasion: 'The idea of the insurance of the workmen will take its victorious course around the whole World!'"

Whether President Boediker is right the future will show.

FRITZ KESTNER.